

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
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E.O.11652: NA
TAGS: EAIR HU
SUBJECT: CIVAIR -- WORLD AIRWAYS CHARTER FLIGHTS

REF: (A) BUDAPEST 2302 (B) STATE 141386

1. WORLD AIRWAYS ADVISED EMBASSY JUNE 14 THAT IT HAD NOT RPT NOT SIGNED A CONTRACT WITH MALEV WHICH PROVIDED FOR PAYMENT OF NON-OBJECTION FEES. ACCORDING TO WORLD AIRWAYS, WHEN IT WAS REQUESTED TO SIGN A CONTRACT PROVIDING FOR THESE FEES, IT SUSPENDED NEGOTIATIONS AND REFERRED THE MATTER TO THE DEPARTMENT. ON THE BASIS OF THIS INFORMATION AND THE INFORMATION SUPPLIED BY THE DEPARTMENT IN REFTEL (B) THE CHARGE BROUGHT THE MATTER UP WITH BARTHA AT MFA AGAIN JUNE 15. WE WERE GIVEN THE FOLLOWING RESPONSE:

-- OVERSEAS NATIONAL AIRWAYS SIGNED AN AGREEMENT WITH MALEV MAR 6, 1978, IN WHICH ONA AGREED TO PAY A NON-OBJECTION FEE OF \$24 PER PASSENGER. IF THE NUMBER OF PASSENGERS EXCEEDS 3,500 THIS FEE WILL BE REDUCED RETROACTIVELY TO \$20 PER PASSENGER. IF THE PASSENGERS EXCEED 5,000, THE FEE WILL BE RENEGOTIATED. ONA IS FLYING DC-10S TO HUNGARY AND HAS A CONTRACT WITH A U.S. TOURIST AGENCY TO BRING UP TO 10,000 TOURISTS FROM THE U.S. TO HUNGARY THIS SUMMER.

-- WORLD AIRWAYS PLANS TO FLY FIVE FLIGHTS (DC-8)
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TO HUNGARY THIS SUMMER AND TWO FLIGHTS FROM BUDAPEST TO THE U.S. CARRYING HUNGARIAN TOURISTS. THERE IS NO AGREEMENT YET BETWEEN WORLD AIRWAYS AND MALEV BECAUSE WORLD AIRWAYS OBJECTS TO THE PAYMENT OF A NON-OBJECTION FEE.

-- PAYMENT OF NON-OBJECTION FEES IS AN ACCEPTED BUSINESS PRACTICE IN HUNGARY. AIR CANADA, CANADIAN-PACIFIC AIRWAYS, AND "EVEN THE CZECHS AND POLES" PAY

NON-OBJECTION FEES TO MALEV.

-- PANAMERICAN IS NOT REQUIRED TO PAY NON-OBJECTION FEES ON CHARTER TRAFFIC BECAUSE, ACCORDING TO THE U.S.-HUNGARIAN BILATERAL AIR AGREEMENT, "IT IS LICENSED TO FLY TO HUNGARY." HOWEVER, ANY OTHER AMERICAN COMPANY FLYING CHARTER FLIGHTS TO BUDAPEST MUST PAY NON-OBJECTION FEES.

-- IF WORLD AIRWAYS DOES NOT WISH TO PAY THE NON-OBJECTION FEE IT CAN FORGET THE WHOLE BUSINESS.

-- THE QUESTION OF NON-OBJECTION FEES IS A COMMERCIAL QUESTION IN WHICH THERE SHOULD BE NO GOVERNMENT INTERVENTION.

2. WE REPLIED TO BARTHA THAT THE EMBASSY HAD INSTRUCTIONS TO PROTEST MALEV'S PRACTICE OF REQUIRING NON-OBJECTION FEES. WE REITERATED THE TALKING POINTS IN PARA 4 OF STATE 136681 AND DREW ON INFORMATION IN REFTEL (B). WE UNDERLINED THE USG OPPOSITION IN PRINCIPLE TO THIS PRACTICE AND STATED THAT IF MALEV INSISTS ON CONTINUING IT WOULD BE AN ISSUE WHICH WOULD HAVE TO BE ADDRESSED WHEN THE AIR AGREEMENT IS UP FOR RENEWAL AND WOULD BE A FACTOR WHICH MUST BE CONSIDERED IF MALEV APPLIES FOR LANDING RIGHTS IN THE UNITED STATES.

3. AT NO TIME DID BARTHA INDICATE ANY POSSIBILITY THAT MALEV WOULD CHANGE ITS POSITION.
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4. COMMENT: THE FACT THAT MALEV DOES NOT FLY TO THE UNITED STATES AND THE FACT THAT ONA HAS SIGNED A CONTRACT PROVIDING FOR PAYMENT OF NON-OBJECTION FEES PLACES US IN A WEAK BARGAINING POSITION. THERE APPEARS TO BE LITTLE FURTHER THAT WE CAN DO AT THIS STAGE TO ASSIST WORLD AIRWAYS. THE GOH IS ON NOTICE THAT WE OBJECT TO THIS PRACTICE AND ARE PREPARED TO MAKE AN ISSUE OF IT WHEN WE HAVE AN OPPORTUNITY TO DO SO: WHEN THE AIR AGREEMENT EXPIRES OR WHEN MALEV WANTS TO FLY TO THE U.S. IF THE DEPARTMENT CAN ASCERTAIN ANY LEVERAGE THAT WE HAVE WE WILL BE MORE THAN GLAD TO RAISE THE ISSUE AGAIN WITH THE GOH. HOWEVER, AT THIS STAGE, IT APPEARS AS IF THE GOH IS WILLING TO FOREGO THE TOURIST TRAFFIC WHICH WOULD BE BROUGHT TO HUNGARY BY WORLD AIRWAYS, OR BELIEVES ANOTHER U.S. COMPANY WILL STEP IN, IF WORLD AIRWAYS REFUSES TO PAY THE NON-OBJECTION FEE.

5. WHILE IT WILL PROBABLY NOT ASSIST WORLD AIRWAYS IN THE PRESENT CASE, WE BELIEVE IN ORDER TO STRENGTHEN OUR POSITION IN THE FUTURE, THAT WE SHOULD

REITERATE OUR PROTEST TO THE GOH IN THE FORM OF A
DIPLOMATIC NOTE. IF THE DEPARTMENT AGREES, WE WOULD
APPRECIATE INSTRUCTIONS.
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